

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 456 – HB 487

February 3, 2023

SUMMARY OF BILL: Excludes internet streaming services from the definition of “cable service,” as well as direct-to-home satellite services and internet streaming services from the definition of “video service” under the *Competitive Cable and Video Services Act*.

FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- Pursuant to Tenn. Code Ann. §§ 7-59-304 and 7-59-305, prior to providing cable or video service, a provider must apply for a certificate of franchise authority (CFA) and illustrate they have the managerial, financial, and technical qualifications needed to provide cable and video service.
- Providers may elect to negotiate a local cable service or video service franchise agreement with a municipal or county franchise authority, or they may file an application with the Tennessee Public Utility Commission to receive a state-issued CFA.
- The proposed language establishes that direct-to-home satellite services do not qualify as video service and that services that enable end users to stream content over the internet do not qualify as either a cable service or video service, and thus, the providers of such services would not be subject to CFA requirements, including paying a franchise fee.
- Direct-to-home satellite services and internet streaming service providers are not currently required to obtain a CFA or pay a franchise fee.
- The Tennessee Supreme Court issued a ruling on November 22, 2022, in the case of *City of Knoxville, Tennessee v. Netflix, Inc. et al.*, that direct-to-home satellite services and internet streaming service providers do not provide “video service” as defined under current law and thus do not qualify as video service providers.
- Therefore, the proposed language to explicitly exclude such services from the definitions of “cable service” and “video service,” and thereby exempt the providers from CFA requirements, will have no significant fiscal impact to state or local government.
- The proposed language does not alter the taxability of services under the Business Tax Act or the Retailers’ Sales Tax Act. Therefore, any impact on state or local business and sales tax revenue will be not significant.

IMPACT TO COMMERCE:

NOT SIGNIFICANT

Assumptions:

- Direct-to-home satellite services and internet streaming service providers are currently exempt from CFA requirements and payment of franchise fees.
- The proposed legislation will allow such providers to remain exempt from these requirements and fees, resulting in no fiscal impact to business expenditures.
- There will be no significant impact to jobs in Tennessee.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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